

STATE TAX PANEL PUBLIC HEARING

Wednesday September 16, 2015

Legislative Office Building in Hartford Room 2E

4:00 pm to 8:00 pm

Testimony by Lyle Wray, Capitol Region Council of Governments and 1000 Friends of CT

Chairs and members of the panel. Thank you for the opportunity today to address several facets of the property tax reform puzzle.

Addressing the issues of over reliance on property taxes and the somewhat regressive nature of property taxes may be accomplished in a variety of ways. Today I would like to share several based on experience in another state that had several waves of tax reform with property taxes at the center of the efforts. Prior to serving for 11 years as Executive Director of CRCOG I served as executive director of a nonpartisan think tank in Minnesota that developed the fiscal disparities program and had a large role in property tax reform over several decades.

The following are possible tools to employ to reduce the proportion of total tax income coming from property taxes and to target relief to those with more need.

State Assumes Functions. One way to provide relief to home owners from the burden of property taxes is to have the state assume all or part of a function. In one state, the state assumed the entire costs of all levels of court services, for example. In at least two others, the state assumed 78% of total K-12 education costs. Such assumptions of functions have the advantage of being clear and easily communicated and provide a stable foundation for property tax reform. Examples that have come up in CT include the state assuming the total cost of special education services and administration. Such swaps seem to fit best with functions that have little local discretion – such as special education – and that might benefit from economies of scale in administration of the service. In the case of swaps, funding does not change hands beyond the one time transfer of the function. In CT the state assumption of General Assistance back in the 1980s is an example.

Permanent Funding for Property Tax Relief. In a number of states, permanent property tax reform has been enabled by permanent funding sources for the relief. A portion of the sales tax could be dedicated to property tax relief. In several cases the state retains these revenues that are used to either buy down property taxes or pay for swapped functions. In another options, the state could apply a percentage property tax all property in the state. This is in contrast to age based assistance – seniors get a tax break – or service based assistance – veterans get a tax break. Putting in place a permanent funding stream to “buy down” property taxes is one important ingredient.

Targeted Property Tax Relief. Income adjusted property tax relief of “circuit breakers” have been used to provide targeted relief and to reduce the regressivity of the property tax. In some states both home owners and renters get a rebate based on property taxes paid as a percentage of income. This type of program helps low income seniors as well as families starting out that have many expenses. Other tools